

United States of America DEPARTMENT OF COMMERCE	DEPARTMENT ADMINISTRATIVE ORDER <u>213-5</u>	
DEPARTMENT ADMINISTRATIVE ORDER SERIES	DATE OF ISSUANCE June 21, 1991	EFFECTIVE DATE June 21, 1991
SUBJECT AUDIT RESOLUTION AND FOLLOW-UP		
<p><u>SECTION 1. PURPOSE.</u></p> <p>.01 This Order prescribes the policies and procedures to be used in resolving and implementing audit recommendations contained in: management audit reports; audit reports of Department of Commerce (DOC) grants, cooperative agreements, loans and loan guarantees; and preaward and postaward audits of DOC contracts. This order also specifies the roles of the organizational units, Audit Follow-up Official and the Inspector General with regard to audit resolution and follow-up, and prescribes policies and procedures for recording receivables resulting from audit resolutions.</p> <p>.02 This revision implements the provisions of OMB Circular A-50, Audit Follow-up; incorporates appropriate provisions from the Memorandum of Agreement of September 26, 1988 between the Inspector General and the Assistant Secretary for Administration covering the handling of financial assistance audits resulting in a debt; incorporates audit definitions and semiannual reporting requirements of the Inspector General Act Amendments of 1988; changes the title of the Order; and generally updates the structure and language of the Order.</p> <p><u>SECTION 2. SCOPE AND AUTHORITY.</u></p> <p>.01 This Order applies to all DOC organizational units (see paragraph 4.17) involved in monitoring and resolving audit recommendations, establishing audit-related debts due the Government, and implementing agreed-upon audit recommendations as a result of final audit reports issued by or under the supervision of the Office of Inspector General (OIG). Audit reports circulated in draft for the purpose of obtaining comments are not subject to this Order. Preaward contract audit reports involving recommendations on estimates of future costs and postaward contract audit reports are subject to this Order only to the extent of monitoring Contracting Officer actions, since such reports generally are resolved by negotiation or a contracting officers decision and as such are not subject to the six-month time frame set forth in this Order. This Order does not apply to audits conducted by the General Accounting Office but does encompass single Audit Act reports.</p>		

.02 This order is intended to aid the internal management of the Department, and is not intended to create any right or benefit enforceable at law by a party against the Department or its officers.

SECTION 3. POLICY.

.01 Audit follow-up is an integral function of management and is a shared responsibility of DOC and OIG management. DOC and OIG officials shall act promptly to resolve audit findings and recommendations and to implement corrective actions. A unified DOC decision on resolution of audit recommendations shall be made within six months of the issuance of the audit report. Timely action to implement accepted audit recommendations by responsible management officials is an integral part of the DOC's audit system, and is the key to its effectiveness. Monitoring of the implementation actions on resolved audit recommendations ensures that final actions are actually taken.

.02 The heads of the organizational units to which audit findings and recommendations pertain have primary responsibility for prompt and proper audit resolution and implementation.

.03 If the OIG does not agree with the proposal of the responsible audit action official for handling a recommendation contained in a management or financial assistance award audit report, every attempt will be made by agency management officials and OIG officials to resolve the issues. If this fails, the issues will be referred to the Audit Resolution Council. If resolution is not reached through the Council, the issue will be elevated to the Deputy Secretary for decision.

.04 In the case of preaward and postaward contract audit reports, the contracting officer is responsible for giving full consideration to the audit advice and for documenting the disposition of audit recommendations. The contract follow-up system should be structured in consonance with the independent, decision-making role of the contracting officer and the financial advisory role of the contract auditor.

SECTION 4. DEFINITIONS.

.01 Allowed Costs. The amount of costs which were questioned by the auditors but were subsequently determined during audit resolution, or during negotiations by a Contracting Officer, to be allowable project costs.

.02 Audit Action Official. An individual designated by the audit liaison to ensure timely responses to all audit findings and implementation of accepted recommendations for a specific audit report. For management audit reports, the audit action official should be the responsible program official for the audited area. For contract audit reports, the audit action official shall be the responsible contracting officer. For financial assistance audit reports, the audit action official should be the official responsible for providing financial assistance administration of the grant or cooperative agreement. For Single Audits where DOC is the cognizant agency, the audit action official should be the official assigned by the organizational unit designated by the Office of Inspector General.

.03 Audit Action Plan. A plan with target dates for completion, and where applicable, intermediate milestones for implementation of each management, loan, or loan guarantee audit recommendation. (see Exhibit 7 of this Order.)

.04 Auditee. The entity which was the subject of the audit (e.g., DOC organizational unit or facility, contractor, recipient of financial assistance).

.05 Audit Follow-up Official. A high-level management official designated by the Secretary, pursuant to OMB circular A-50, to be responsible for audit follow-up for the DOC. The designated Audit Follow-up Official for DOC is the Assistant Secretary for Administration.

.06 Audit Liaison. An individual designated, pursuant to DAO 213-3, "Inspector General Auditing," by the head of the organizational unit to centrally manage and coordinate all audit reports and monitor implementation of audit recommendations.

.07 Audit Resolution. The process by which the DOC reaches an effective management decision in response to audit reports.

.08 Audit Resolution Council. A group of DOC management officials convened by the Audit Follow-up Official (Assistant Secretary for Administration) to discuss the differences and determine the course of action when resolution cannot be reached between OIG and organizational unit officials on audits other than contract audits. The council will consist of the Assistant Secretary for Administration, the Inspector General, and the head of the appropriate organizational unit.

.09 Audit Resolution Determination. A letter prepared by the audit action official which will be used to inform the auditee of the results of the resolution of a financial assistance audit. (see Exhibit 9 of this Order.) In the event a payment is found to be due, the Audit Resolution Determination serves as the first notice to the auditee of the debt.

.10 Audit Resolution Officer. A senior-level individual designated by the head of the organizational unit to have explicit authority to resolve audit findings and recommendations. If resolution is not reached at the audit action official level the designated individual will be responsible for attempting to resolve audit issues with OIG's Assistant Inspector General for Compliance and Audit Resolution prior to elevation to the Audit Resolution Council.

.11 Audit Resolution Proposal. A memorandum prepared by the audit action official and addressed to the OIG official responsible for the audit report which proposes the resolution actions to be taken on financial assistance audit recommendations. (see Exhibit 8 of this Order.)

.12 Claimed Costs. Costs claimed by the grant or cooperative agreement recipient as expenditures made in carrying out the project.

.13 Contract Audit Report. The contract auditor's written advice to a contracting officer advocating specific action on the part of the contracting officer or contractor and/or including highly qualified or adverse opinion information: An audit report could include amounts questioned, exceptions to a contractor's system or operations, recommended price adjustments, or notification of a contractor non-compliance with cost accounting standards.

.14 Disallowed Costs. The amount of costs which were questioned by the auditors or the audit action official and were subsequently determined during audit resolution, or during negotiations by a Contracting Officer, that should not be charged to the Government.

.15 Final Action. The completion or implementation of all actions that were agreed upon by the OIG and the organizational unit (in the audit action plan or audit resolution determination or through the Audit Resolution Council) or by the Deputy Secretary during the audit resolution process. In the case of contract audits where no debt has been established, final action means the final decision by the contracting officer, and occurs when the contracting officer prepares the written determination.

.16 Financial Assistance Agreements. As used in this Order, all grant and cooperative agreement awards. For the purpose of this order, loans and loan guarantee agreements shall not be included whenever the term financial assistance is used.

.17 Finding. A written description of a problem area or an area which can be made more efficient, economical, or effective as disclosed by audit. The finding sets forth the condition(s), cause(s), and effect(s) of the areas discussed. A finding serves as the basis for an audit recommendation.

.18 Management Audits. Reviews conducted by the OIG of the programs, operations, and activities of the DOC to determine:

- a. whether they are being carried out in compliance with laws, regulations, and sound accounting procedures;
- b. whether they are being administered efficiently and economically, with adequate internal controls in place; and
- c. whether they are effective.

19 Management Decision. Final decision by management on audit findings and recommendations including action to be taken.

20 Organizational Unit. For purposes of this order, a Secretarial or Departmental office or a primary operating unit in the DOC, including the office of the Assistant Secretary for Administration when appropriate, charged with carrying out specified substantive functions (i.e., programs) of the DOC. The heads of some organizational units are Program Secretarial Officers; in other cases, they are separate officers who report and are responsible to a Program Secretarial Officer, or directly to the Secretary or Deputy Secretary. In the case of financial assistance audits, the head of the organizational unit shall be the head of the organizational unit that administers the financial assistance award.

.21 Postaward Contract, Financial Assistance, and Loan Audits. Reviews of the DOC's contracts, grants, cooperative agreements, loans, and loan guarantees may be conducted by the OIG, by other federal audit agencies on a reimbursable basis, by State and local government audit units, or by independent public accounting firms hired by the OIG or by auditees to assess the:

- a. adequacy of accounting and internal controls;
- b. allowability of costs;

- c. compliance with laws, regulations, and terms of the award; and
- d. degree to which the project will achieve or has achieved desired results.

.22 Preaward Contract Audits. Reviews of prospective contractors' finances, accounting systems, proposed changes and practices for accumulating costs to determine whether:

- a. the contractors' finances are adequate to perform the contract;
- b. the contractors' accounting system is adequate to accumulate the type of cost information required by the contract; and
- c. there are any significant deficiencies in the cost estimates used in the contractors' proposals.
- d. These audits also include reviews of proposed modifications to existing contracts.

.23 Price Negotiation Memorandum. A memorandum prepared in accordance with the Federal Acquisition Regulations (FAR) by the contracting officer at the conclusion of each negotiation of an initial or revised price. The memorandum includes details on variances from the audit report recommendations.

.24 Questioned-Costs. A claimed or proposed federal cost that is recommended for disallowance because of:

- a. an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds;
- b. a finding that, at the time of the audit, such cost is not supported by adequate documentation; or
- c. a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

.25 Recommendation. The OIG's proposed action to correct the cause and/or remedy the effect of an audit finding. Recommendations also include questioned costs.

.26 Recommendation That Funds Be Put To Better Use. A recommendation that funds could be used more efficiently if management took action, including:

- a. reductions in outlays;
- b. deobligation of funds from programs or operations;
- c. withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds;
- d. costs not incurred by implementing recommended improvements related to the operations of the establishment, a contractor or grantee;
- e. avoidance of unnecessary expenditures identified in preaward reviews of contracts or grant agreements; or
- f. any other savings which are specifically identified.

.27 Resolved Audit Report. A management, financial assistance, loan or loan guarantee audit report for which the audit action official (or higher level organizational unit official) and the OIG have agreed upon, or the Deputy Secretary has decided upon, the actions to be taken on all recommendations in the report. The Inspector General Act Amendments of 1988 refers to this as a management decision. Audit resolution is the means by which the DOC reaches a management decision. The management decision for contract audits is made by the contracting officer.

.28 Single Audits. Audits performed pursuant to the Single Audit Act of 1984 which requires that each State or local government receiving \$100,000 or more in federal assistance have a single financial and compliance audit each year. One federal agency is assigned to be the cognizant agency and oversees the audit of federal funding.

.29 Unsupported Cost. A cost that at the time of the audit was not supported by adequate documentation. This is also included under questioned costs.

.30 Written Determination. A decision by the audit action official on actions to be taken on audit recommendations. The written determination for management, loan, and loan guarantee audits is the Audit Action Plan (see Exhibit 7 of this order). The written determination for financial assistance audits is drafted as an Audit Resolution Proposal (see Exhibit a of this order), which becomes an Audit Resolution Determination when agreement has been reached (see Exhibit 9 of this order). The written determination for postaward contract audits may include a contract modification, other appropriate documents, or a contracting officer's final decision prepared in accordance

with FAR 33.211. The final written determination for preaward contract audits is the Price Negotiation Memorandum.

SECTION 5. RESPONSIBILITIES.

.01 Organizational Units Shall Do The Following:

a. Develop and maintain operating procedures to comply with policies set forth in this Order, including guidelines for receiving and handling appeals of Audit Resolution Determinations.

b. Designate an audit liaison and ensure that controls are developed to provide timely, accurate and complete responses to audit reports.

c. Designate a senior official as the audit resolution officer in accordance with Section 9. of this Order.

d. Within the time frame specified by the OIG (30 - 75 calendar days depending on the complexity of the audit issues) after a final management, financial assistance, or loan audit report is issued:

1. Designate an audit action official to ensure responses to all audit findings and implementation of resolved recommendations.

2. Review thoroughly the issued audit report and auditee responses, if any, consider carefully each finding and recommendation, and determine whether the recommendations can and should be implemented.

3. Ensure that a written determination is prepared (see Exhibits 7 and 8 of this Order), specifying concurrence or nonconcurrence with each recommendation. The written determination shall present a specific plan of corrective action with appropriate target dates for implementing all accepted recommendations, and shall provide a justification for nonconcurrence with any recommendations.

4. In cases involving legal issues, obtain concurrence of the Office of General Counsel or the organizational units legal office prior to submitting a written determination for resolution.

5. in cases involving budget issues, obtain concurrence of the organizational unit's budget office prior to submitting a written determination for resolution.

e. After resolution:

1. Prepare one of the following, as appropriate:

(a) the Audit Resolution Determination (see Exhibit 9 of this Order);

(b) the Price Negotiation Memorandum in accordance with FAR for preaward contract audit reports and postaward reports requiring contract price modifications;

(c) a contracting officer's final decision prepared in accordance with FAR 33.211; or

(d) other contract documents which document final resolution of the audit.

2. Prepare the Accounting Notice of Audit Resolution Determination (see Exhibit 10 of this Order) or as appropriate, the necessary contract modification, demand for payment (which may be a part of a contracting officer's final decision), or other contract documents, for notifying the responsible finance officer of all accepted audit recommendations resulting in financial actions, including amounts due the Government or amounts to be withheld from payment by the Government; and ensure that all information necessary for the establishment of accounting and collection controls for amounts due the Government is transmitted within ten working days of resolution, to the office responsible for recording the accounts receivable and billing the debtor.

f. Ascertain whether the corrective actions decided upon by management on accepted recommendations have in fact been satisfactorily implemented.

9. Submit quarterly status reports to the Assistant Secretary for Administration on the status of actions taken to implement resolved audit recommendations.

.02 Office Of Inspector General Shall Do The Following:

a. Prepare audit reports with findings and recommendations and transmit copies of audit reports as required by this Order and DAO 213-3.

b. Designate the appropriate Commerce organizational unit for each single audit report on which DOC is the cognizant agency and require the head of the organizational unit to designate an audit action official.

- c. In conjunction with the office of the Secretary, maintain a management information system which tracks all audit findings and recommendations until recommendations are resolved and the final actions have been taken to implement the recommendations.
- d. Evaluate the adequacy of written determinations for management, financial assistance and loan audits and obtain legal review of cases which involve a legal dispute or of proposed resolutions which appear inappropriate or could result in litigation.
- e. Designate the Assistant Inspector General for Compliance and Audit Resolution to attempt to resolve audit issues with organizational unit audit resolution officers prior to elevation to the Audit Resolution Council.
- f. Inform the Audit Follow-up official when major disagreements with organizational units cannot be resolved within 45 calendar days of receipt of proposed audit action plan or audit resolution proposal.
- g. Participate in meetings of the Audit Resolution Council.
- h. Report to the Assistant Secretary for Administration monthly on the status of audit resolution.
- i. Provide the audit liaisons with monthly data on unresolved audit recommendations and overdue written determinations.
- j. Provide the Assistant Secretary for Administration with copies of all audit action plans which are agreed to by the organizational unit and the OIG, including modifications to previously approved audit action plans.
- k. Perform selective follow-up reviews to determine if the Audit Follow-up Official has adequately monitored the implementation of corrective actions.
- l. Perform periodic management audits of organizational units audit resolution activities, including the implementation and effectiveness of significant recommendations.
- m. Forward the Inspector General Semiannual Report to the Audit Follow-up official, no later than April 30 and October 31 of each year, to review and prepare the Report on Final Action.

.03 Assistant Secretary For Administration (Audit Follow-up Official) Shall Do The Following:

- a. Ensure that Departmentwide systems of audit follow-up, resolution, and implementation (final action) are documented and in place.
- b. Inform the Deputy Secretary when major disagreements between organizational units and the OIG have not been resolved by the Audit Resolution Council. Prepare a presentation of the issues including both the IG's and the organizational units arguments for the Deputy Secretary's decision. The presentation should include any OIG and/or organizational unit position paper submitted within 10 calendar days of the Audit Resolution Council meeting.
- c. Review quarterly progress reports from organizational units on the status of actions taken to implement audit recommendations.
- d. When appropriate final action has been taken, inform organizational units that no further reporting is required.
- e. Perform selected quality assurance reviews of implemented recommendations to ensure they conform to the requirements of the audit action plan. If the review reveals that the action taken does not conform to the requirements of the audit action plan, the organizational unit will be notified and required to resume reporting on the recommendation.
- f. In conjunction with the OIG, maintain a management information system which tracks all resolved audit recommendations until the auditee has successfully implemented corrective actions and all audit-related debts are collected, offset, or written off.
- g. Establish Departmentwide policies and procedures for controlling and accounting for monetary disallowances in audit reports.
- h. Monitor Departmentwide collections of DOC audit-related debts owed to the Government.
- i. Report on Final Action. No later than May 31 and November 30 of each year, prepare a report on final actions taken on the audit reports for the Secretary to transmit to the head of the appropriation committees or subcommittees of the Congress along with the Inspector General's Semiannual Report. The OIG shall be provided with an information copy of the

report. According to the Inspector General Act Amendments of 1988, the report on final action must contain the following:

1. Any comments the Secretary deems appropriate;
2. Statistical tables showing number of audit reports and dollar value of disallowed costs for which:
 - (a) Final action had not been taken by the beginning of the reporting period.
 - (b) Management decisions were made (audits resolved) during the reporting period.
 - (c) Final action was taken (audits implemented) during the reporting period showing:
 - (1) The dollar value of disallowed costs that were recovered and the method of recovery (collection, offset, etc.); and
 - (2) The dollar value of disallowed costs that were written off.
 - (d) No final action had been taken by the end of reporting period.
3. Statistical tables showing number of audit reports and dollar value of recommendations agreed to during audit resolution that funds be put to better use, for which:
 - (a) Final action had not been taken by the beginning of reporting period.
 - (b) Management decisions were made during reporting period.
 - (c) Final action was taken during reporting period showing dollar value of recommendations actually implemented and dollar value of recommendations that management subsequently concluded should not or could not be implemented or completed.
 - (d) No final action had been taken by end of reporting period.
4. For all reports where management decisions have been made but final action has not been taken within one year of the management decision, the Secretary must:
 - (a) List all such reports and date each was issued showing dollar value of disallowed costs and/or value of recommendations that funds be put to better use for-each.

(b) Provide an explanation of reasons final action has not been taken with respect to each such audit report.

.04 Office of General Counsel Shall Do The Following:

a. Provide legal advice or assistance to organizational units upon request for legislative or regulatory interpretation.

b. Upon request of an organizational unit, review audit resolution proposals which will result in the establishment of a debt or other adverse action against the auditee, including but not limited to, denial of claimed costs, reduction in award amount, suspension, and termination. In such cases, OGC review is required for the presentation of position papers and issues by the Audit Follow-up Official for a final decision by the Deputy Secretary.

c. Provide in writing the legal basis, when applicable, for organizational unit decisions not agreeing with an audit recommendation.

d. As provided in DAO 203-23, concur in agency claim referrals to the Comptroller General or the Department of Justice.

SECTION 6. PROCEDURES FOR RESOLUTION OF AUDIT RECOMMENDATIONS.

.01 Audit Resolution Time Line. Appendix A provides an overview in calendar days of the audit resolution process and its key milestones. The time line is consistent with the statutory requirement to report to Congress audit recommendations unresolved in excess of 180 calendar days from issuance of the OIG's final audit report.

.02 Management, Loan and Loan Guarantee Audits. Procedures for resolution of management audit reports and loan and loan guarantee audit reports are as follows:

a. The OIG shall transmit copies of final audit reports to the audited organization's management and appropriate audit liaison (see Exhibit 1 of this Order) and the Audit Follow-up Official. When appropriate, the OIG shall transmit copies of the reports to other senior DOC management officials concerned.

b. The OIG shall indicate in the transmittal letter of the report the amount of time the organizational unit will have to prepare an audit report action plan. The time allotted will range from 30 to 60 (maximum) calendar days depending on the complexity of the audit issues. The organizational unit's head may submit to the OIG a written request for an extension

of this deadline by explaining the circumstances that will require more time. The OIG will approve or disapprove the request in writing within 5 working days of receipt. organizational units, however, should assume that the original deadline will stand until notified otherwise by the OIG.

c. The organizational unit's audit liaison shall coordinate assignment of an audit action official.

d. The audit action official shall prepare an audit action plan (see Exhibit 7 of this Order) and provide the plan to the audit liaison who will forward the approved plan to the OIG. If the audited organization disagrees with an audit recommendation, it shall provide the rationale, criteria, and/or legal basis for rejection of the recommendation.

e. Upon receipt of the audit action plan, the OIG has 15 calendar days to review the plan and notify the organization of its agreement or disagreement. If the OIG concurs with the proposed actions, the OIG will return signed copies of the plan to the audit liaison and the Audit Follow-up official. The OIG will retain a copy of the plan for its files. If the OIG disagrees with the proposed actions, the notification should include reasons for disagreement.

f. During the 45 calendar day period following timely submission of the audit action plan, OIG's Assistant Inspector General for Compliance and Audit Resolution and the organizational unit's audit resolution officer shall attempt to resolve any disagreements. If no resolution has been reached at the end of 45 calendar days, the OIG will notify the Audit Follow-up Official who will convene a meeting of the Audit Resolution Council. If audit resolution is not reached through the Audit Resolution Council, the matter will be referred to the Deputy Secretary for final decision.

.03 Financial Assistance Audits. Procedures for resolution of financial assistance audit reports, not including loan and loan guarantee audit reports, are as follows:

a. The OIG shall transmit final financial assistance audit reports to the appropriate parties (see Exhibits 2 through 4 of this Order). When appropriate, the OIG shall transmit copies of the reports to senior DOC management officials concerned.

b. The auditee has 30 calendar days from the report transmittal date to send a response to the audit action official.

1. Except as provided in subparagraph 2. below, financial assistance audits that result in or may result in the establishment of a debt and/or other adverse action against the auditee, shall provide the auditee at least two opportunities to comment upon the findings and recommendations in the audit report and to submit additional documentary evidence to support the auditee's positions. Under DAO 213-31 "Inspector General Auditing," the auditee is given 30 days from the transmittal of the draft audit report in which to submit written comments and documentary evidence. The auditee will also be given 30 days from the transmittal of the final report in which to submit written comments and documentary evidence to the audit action official. Based on review of the comments, arguments, and evidence available at the expiration of this time period, the Department will make its decision on the actions it will take as a result of the final audit report.

2. If the Inspector General or the organizational unit of the Department determined that it was not in the best interest of the Government to provide the auditee with the draft audit report for comment, such determination shall be provided in writing to the audit action official in the transmittal for the final report. If the report will result in the establishment of a debt, a copy of the final report will be provided to the auditee for comment and submission of evidence in support of its position. If the report will result in other adverse action against the auditee, the transmittal for the final report will notify the organizational unit that the auditee must be provided the appropriate due process before final action can be taken.

c. When transmitting the audit report to the organizational unit, the OIG shall indicate the due date of the audit resolution proposal (see Exhibit 8 of this Order). The time allotted will range from 30 to 75 (maximum) calendar days depending on complexity of the audit issues and whether the auditee has been asked to comment. If a response is not received from the auditee by the 30th day after the transmittal of the audit report, the audit-action official is still required to provide the OIG with an audit resolution proposal based on the available information by the due date.

d. The audit action official shall prepare an audit resolution proposal (see Exhibit 8 of this Order) and provide the proposal to the audit liaison who will forward the approved proposal to the OIG. If the organizational unit disagrees with an audit recommendation, it shall provide the rationale, criteria, and/or legal basis for rejection of the recommendation.

e. The organizational unit's head may submit a written request to the OIG for an extension of the audit resolution proposal deadline by explaining the circumstances that will require more time. The OIG will approve or disapprove the request in writing within 5 working days after receipt. Organizational units, however, should assume that the original deadline will stand until notified otherwise by the OIG.

f. Upon receipt of the audit resolution proposal, the OIG has 15 calendar days to review the plan and notify the organization of its agreement or disagreement. If the OIG concurs, the OIG will return the signed proposal to the audit action official. If the OIG disagrees, the notification should include reasons for disagreement.

g. During the 30 calendar day period following timely submission of the audit resolution proposal, the OIG's Assistant Inspector General for Compliance and Audit Resolution and the organizational unit's audit resolution officer shall attempt to resolve any disagreements. If no resolution has been reached at the end of that period, the OIG will notify the Audit Follow-up official who will convene a meeting of the Audit Resolution Council. If audit resolution has not been reached through the Audit Resolution Council, the matter will be referred to the Deputy Secretary for final decision.

g. The audit action official has ten working days after receipt of signed (agreed to) audit resolution proposal to prepare an Audit Resolution Determination (see Exhibit 9 of this Order) and an Accounting Notice of Audit Resolution Determination (see Exhibit 10 of this order). The audit action official shall forward the Audit Resolution Determination to the auditee and the Accounting Notice of Audit Resolution Determination to the appropriate accounting office, with information copies of both to the OIG and the DOC's Audit Follow-up Official.

.04 Preaward and Postaward Contract Audits. Procedures for resolution of preaward and postaward contract audit reports are as follows:

a. The OIG shall transmit copies of preaward and postaward contract audit reports to the appropriate contracting officer, who is the audit action official (see Exhibits 5 and 6 of this order). If appropriate, the OIG also shall transmit a copy of the report to responsible audit liaison.

b. The contracting officer shall notify the OIG of his final decision on the audit issues by providing a copy of the price

negotiation memorandum required by the Federal Acquisition Regulation or memorandum that the contract will not be awarded. The contracting officer's action is the final decision; there is no provision for elevation of audit issues on contract audits.

c. The OIG will track all recommendations. The contracting officer is encouraged to consult with the auditors during negotiations.

05. Elevation of Audit Issues to Audit Resolution Council.

Procedures for elevation of audit issues (other than contract audits) which cannot be resolved at the organizational unit level are as follows:

a. If the OIG and the organizational unit cannot reach agreement within 105 calendar days from issuance of the final audit report, the OIG will, within the next 15 calendar days, notify the Audit Follow-up Official. The OIG will provide a written explanation of the issues in dispute with its notification to the Audit Follow-up official. Within 10 calendar days, the Audit Follow-up Official will schedule a meeting of the Audit Resolution Council to be convened within 30 calendar days of the OIG notification.

b. After the organizational unit has been notified that an Audit Resolution Council meeting has been scheduled, it will have 15 calendar days to submit to the Audit Follow-up official a detailed written explanation of the-differences with the OIG on the audit.

c. If the matter is not resolved by the OIG and the organizational unit before the Audit Resolution Council meeting, the council will meet to discuss the differences and determine a course of action.

d. If the Audit Resolution Council cannot reach a consensus agreement, the Audit Follow-up official will prepare a presentation of the issues including both the IG's and the organizational unit's arguments for the Deputy Secretary's decision. The presentation should include any OIG and/or organizational unit position papers submitted within 10 calendar days of the Audit Resolution Council meeting. The position papers should be in the format provided at Exhibit 11, and include any legal opinions as necessary. The Audit Followup Official should submit the presentation of the issues to the Deputy Secretary within 20 calendar days of the Audit Resolution Council meeting.

e. When the involved organization unit head is the Assistant Secretary for Administration, an Audit Resolution Council will not be convened. In this case, the Assistant Secretary and the Inspector General will prepare position papers in the format specified by Exhibit 11. The position papers should reference their most recent attempt at resolution, and should be submitted directly to the Deputy Secretary for a final management decision.

f. The use of a standard format for the position papers will facilitate the Deputy Secretary's review of and decision on the outstanding issues. Exhibit 11 provides a basic format. The actual position papers should not exceed three pages, and must be signed by the head of the organizational unit and the Inspector General, as appropriate.

g. The preceding time frames are designed to afford the Deputy Secretary a minimum of 10 calendar days to make a final management decision within the 180-day statutory reporting requirements. After the Deputy Secretary's final decision, the involved organizational unit shall implement the decision in the same manner provided by this Order as it would for any other resolved audit report.

SECTION 7. PROCEDURES FOR RECORDING AND COLLECTING RECEIVABLES RESULTING FROM AUDIT RESOLUTION.

.01 Upon receipt of the Accounting Notice of Audit Resolution Determination (see Exhibit 10 of this Order) or the contracting officer's demand for payment (see FAR 32-610(b) and 33.211), the responsible finance officer shall record the appropriate amount as a receivable effective on the date specified in the Audit Resolution Determination or the contracting officer's demand for payment. The Audit Resolution Determination is the initial demand for payment of debts related to financial assistance awards. If payment is not received pursuant to the Audit Resolution Determination or the contracting officer's demand, the accounting office shall continue to bill the auditee for the amount due in accordance with applicable DOC regulations and procedures and, if necessary, refer the debt to the appropriate workout group. Workout groups can attempt to collect seriously delinquent debts by negotiating payments in regular installments; by referring the debt to private sector debt collection agencies; by administrative offset; or by referral to the Department of Justice for litigation. If after diligent efforts to collect the debt have failed and it is determined to be in the Government's best interest, the workout groups can also recommend compromise, suspension, and termination of collection activity in accordance with governmentwide and Departmental regulations and policies.

.02 Demands for payment and collection activities shall be in compliance with the applicable requirements of DAO 203-28 and DOC's Cash Management Policies and Procedures Handbook; DAO 203-35 and DOC's Credit and Debt Management Operating Standards and Procedures Handbook; DAO 203-23 on collection, compromise, termination, and suspension of claims; DAO 203-4 and the DOC's Handbook of Accounting Principles and Standards; 4 CFR 101 et seq., the Federal Claims Collection Standards, as implemented through DOC policies, procedures, and regulations; and FAR 32.6 and FAR 33.211 on demands for payment made by contracting officers.

.03 If no payment is forthcoming or no authorized repayment arrangement is approved after the required number of demands are made, the accounting officer shall refer the debt to the appropriate workout group in accordance with established DOC procedures. The accounting officer shall provide the audit liaison with notification of this action.

.04 Decisions on whether to compromise a debt or to suspend or terminate collection action shall be made solely on the basis of the applicable dollar amounts and other standards in 4 CFR 103 and 104; documentation that was submitted by the debtor requesting or supporting compromise, suspension or termination, on any grounds other than the legal validity of the debt. Delegations of authority to compromise, suspend, or terminate collection action are provided in DAO 203-23.

.05 Each determination within the DOC to terminate collection action on audit-related debts, unless made with Department of Justice concurrence, shall be fully justified and documented by the appropriate agency officials and must be approved by the appropriate legal officer with responsibility for the type of debt in the affected organizational unit. A complete copy of each such determination (with copies of notices to the debtor, supporting justifications, explanations, clearances and approvals) shall be forwarded to the Office of Inspector General and to the audit action official within 10 working days of any such decision.

SECTION 8. APPEALS OF FINANCIAL ASSISTANCE AUDIT DETERMINATIONS,

.01 Upon receipt of the audit resolution determination, the auditee has 30 calendar days to submit a written appeal of the DOC's decision to the head of the organizational unit that provides financial assistance administration of the subject grant or cooperative agreement, with a copy to the Office of Inspector General. To be valid the appeal must be postmarked within the 30-day period. The auditee must submit an

explanation of its dispute with the Audit Resolution Determination and any new supporting documentation with the appeal. Documentation previously reviewed by the OIG will not be reviewed again, but may be referenced by the auditee.

.02 If the Deputy Secretary made the original Audit Resolution Determination under DAO 213-5, the auditee's appeal will be addressed to the Deputy Secretary for his/her reconsideration of the determination.

.03 If a valid appeal is not received, the right to appeal is lost. For purposes of judicial review, an unappealed Audit Resolution Determination shall be the final decision of the DOC with respect to the amounts and merits of the debt; the auditee will have to go to court to continue its dispute of the legal validity of the debt. The appeal procedure is the last opportunity for auditees to furnish available evidence to support their dispute of a debt (see 4 CFR 102.2(d)).

.04 An appeal does not prevent the establishment of the audit-related debt nor does it prevent the accrual of interest on the debt. If the Audit Resolution Determination is overruled or modified on appeal, appropriate corrective action will be taken retroactively.

.05 If the debt established by the Audit Resolution Determination is subject to administrative offset, receipt of an appeal will stay the offset of funds owed by the auditee against funds due to the auditee, in accordance with the DOC's regulations published in 15 CFR 21. Once an appeal decision is made, the other requirements and procedures under 15 CFR 21 shall be followed to effect an offset, as provided in paragraph .11 below.

.06 The appropriate organizational unit shall acknowledge receipt of the appeal within 5 working days. If the appeal was not submitted within the required 30 calendar day period, the auditee shall be notified that their appeal is denied.

.07 The decision on appeal of an audit-related debt shall be made within 30 working days after receipt of the appeal and on the basis of the record existing at the expiration of the time limit for filing an appeal.

.08 Within ten days of the receipt of the appeal, the Office of Inspector General will review the appeal and supporting documents and provide its position on the appeal in writing to the appropriate organizational unit.

.09 Within twenty days of the receipt of the appeal, the appropriate organizational unit will prepare a decision on the appeal for the signature of the head of the organizational unit. The decision should contain the same information as required for the Audit Resolution. Determination, or as required in 15 CFR 21.11 if the debt is subject to administrative offset. In addition, if the original DOC decision has been modified or overruled on appeal, the letter shall explain the corrective action taken or to be taken by the DOC. The decision must be signed by the Inspector General or the OIG designee. If OIG does not concur with the decision, the organizational unit will inform the auditee that the decision will be delayed. The issue will be elevated to the Deputy Secretary for a final decision by the DOC.

.10 If the OIG concurs with the decision, the organizational unit will send it to the Office of General Counsel for clearance. If the clearance has not been received within five working days the appropriate organizational unit will notify the auditee that the decision will be delayed. If the office of General Counsel does not concur with the decision, the issue will be elevated to the Deputy Secretary for a final decision by the DOC.

.11 If the Office of General Counsel concurs, the organizational unit will distribute the decision on the appeal to the auditee and take immediate action to collect the funds due:

a. If an offset of funds was determined appropriate, it shall be handled in accordance with the DOC's administrative offset regulations, 15 CFR 21. Pursuant to the authority of the Assistant Secretary for Administration, the decision on an appeal shall be the review provided for in 15 CFR Section 21.3 (c) to determine whether a debt is valid.

b. Any debt which is not to be offset shall be handled in accordance with applicable Government-wide and DOC claims collection procedures--except that the DOC shall not accept any more documentary evidence from a debtor to support the debtor's continued dispute of the merits of the debt. (Documents supporting other issues--such as inability to pay--may be accepted.)

SECTION 9. PROCEDURES FOR MONITORING AUDIT RESOLUTION.

.01 Pursuant to DAO 213-3, each Secretarial Officer or head of an organizational unit shall designate an individual to serve as audit liaison.

.02 The audit liaison is responsible for the central management and coordination of audit resolution and implementation

recommendations in accordance with OMB Circular A-50 and this order. For management audit reports, the audit action official should be the responsible program official for the audited area. For financial assistance audit reports, the audit action official should be the responsible financial assistance officer.

.03 The OIG shall provide the audit liaison with monthly data on all unresolved audit recommendations for use in monitoring audit resolution within individual offices in the organizational unit. The OIG shall also provide information on overdue written determinations.

.04 Monthly, the OIG shall provide the Audit Follow-up official with data on the status of audit resolution and overdue written determinations. The Audit Follow-up Official shall report at least semiannually to the Secretary and Deputy Secretary on the status of audit follow-up.

.05 After an Audit Action Plan or Audit Resolution Proposal has been submitted and agreed upon, the OIG shall return a signed copy of the Plan to the audit liaison, send a copy to the DOC's Audit Follow-up official, and retain a copy.

.06 The audit liaison shall report quarterly (by the 15th of the month following the close of each fiscal quarter) to the Audit Follow-up Official on the organizational unit's implementation of the Plans and Proposals in his or her unit. The format of the status reports will be determined by the Audit Follow-up Official. The information submitted in these reports will be used to prepare management's semiannual reports to the Congress on final action.

.07 If necessary, the organizational unit can modify the Audit Action Plan. If modifications are made, the OIG must be consulted and must approve the changes in writing in advance. If the OIG does not believe modification of the Plan is warranted, this action will be discussed at higher levels of the organizational unit's and OIG's management. If a satisfactory agreement is not reached, the Audit Follow-up official shall report the matter to the Deputy Secretary for a decision.

SECTION 10. EFFECT ON OTHER ORDERS,

This Order supersedes Department Administrative order 213-5, dated March 17, 1982.

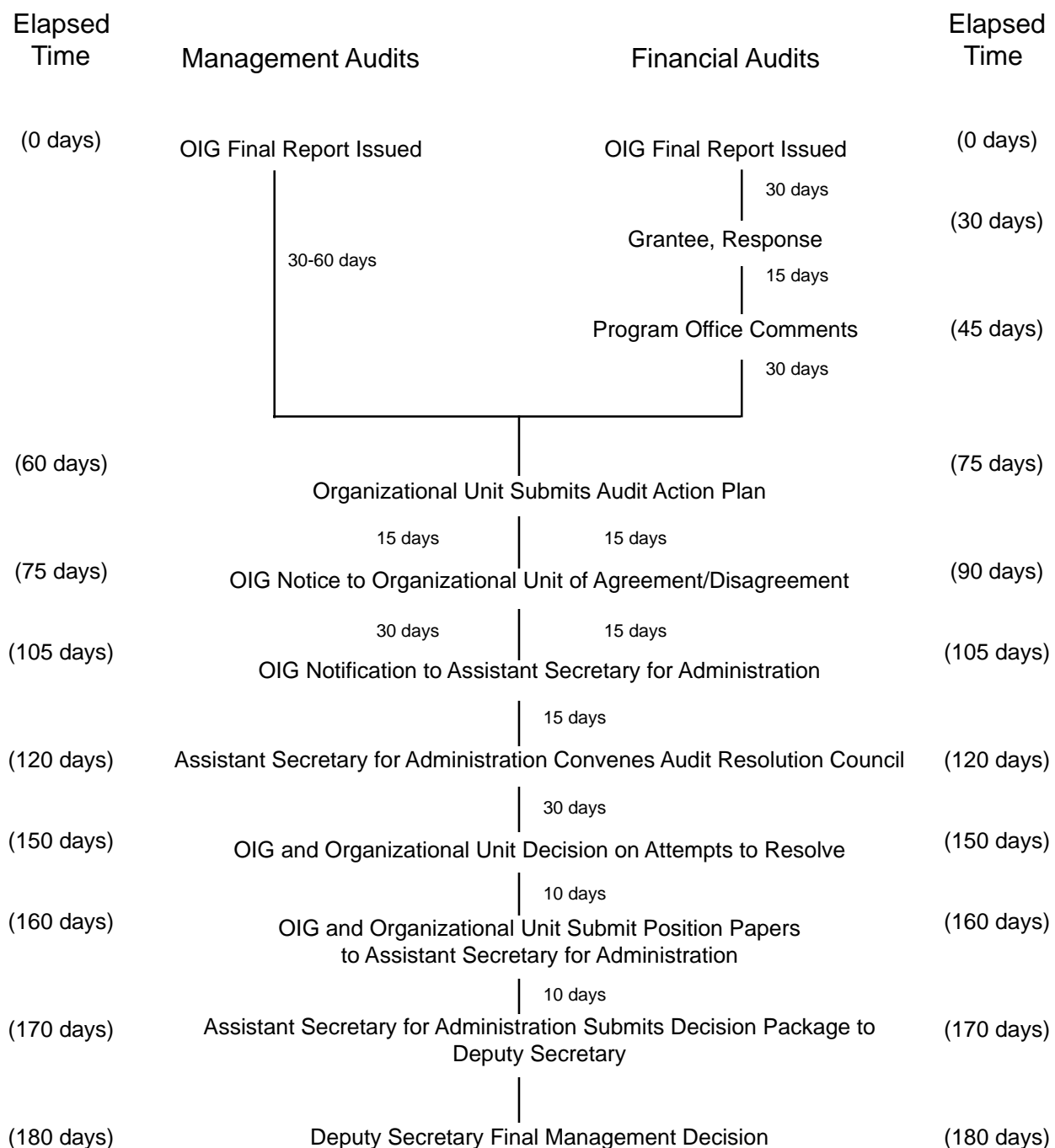
signed,
Inspector General
Assistant Secretary for Administration

approved,
Secretary of Commerce

Office of Primary Interest
Office of Inspector General

USCOMM-DC-91-8976

AUDIT RESOLUTION TIME LINE (In Calendar Days)



[TRANSMITTAL MEMORANDUM TO AUDIT LIAISON
MANAGEMENT AUDIT]

MEMORANDUM TO: (Audit Liaison)

FROM: (Appropriate OIG Official)

SUBJECT: Audit Report No. _____

Subject of Audit: _____

We are attaching a copy of the subject audit report for your action in accordance with DAO 213-5, "Audit Resolution and Follow-up." Please advise us immediately of the name and telephone number of the audit action official for this report. Requests from the public for copies of this report must be referred to the office of Inspector General, Office of Counsel, Room 7892, Herbert C. Hoover Building for response under the Freedom of Information Act.

(Option: Insert here any information needed to explain the report.)

Under DAO 213-5, your agency has Number of Days calendar days from the date of this memorandum to reach a decision on the actions that it proposes to take on each audit finding and recommendation and to submit an Audit Action Plan to this office. The format for the plan is Exhibit 7 of the DAO. Under the DAO, the Office of Inspector General must concur with your proposal before it may be implemented. The DAO prescribes procedures for handling any disagreements this office may have with the Audit Action Plan.

Any inquiry regarding this report should be directed to Name of this office at Phone Number.

All correspondence should refer to the audit report number given above.

Attachment

[TRANSMITTAL MEMORANDUM TO AUDIT ACTION OFFICIAL
FINANCIAL ASSISTANCE AUDIT]

MEMORANDUM TO: (Audit Action Official)

FROM: (Appropriate OIG Official)

SUBJECT: Audit Report No. _____
Auditee: _____
Award No. _____

We are attaching a copy of the subject audit report for your action in accordance with DAO 213-5, "Audit Resolution and Follow-up." (A copy of the report has been sent to the auditee/recipient, which has thirty (30) days from the date of the transmittal to submit comments and supporting documentation to you.) A copy of our transmittal letter also is attached. Requests from the public for copies of this report must be referred to the Office of Inspector General, Office of Counsel, Room 7892, Herbert C. Hoover Building for response under the Freedom of Information Act.

[Option: Insert here any information needed to explain the report.]

Under DAO 213-5, you have Number of Days calendar days from the date of this memorandum to reach a decision on the actions that your agency proposes to take on each audit finding and recommendation and to submit an Audit Resolution Proposal to this office. The format for the proposal is Exhibit 8 of the DAO. As applicable, your written proposal must include the rationale and/or legal basis for reinstating any questioned costs in the report and should reference any supporting documentation relied on. Under the DAO, the office of Inspector General must concur with your proposal before it may be issued as a final determination and implemented. The DAO prescribes procedures for handling any disagreements this office may have with the Audit Resolution Proposal.

Any inquiry regarding this report should be directed to Name of this office at Phone Number.

All correspondence should refer to the audit report number given above.

Attachment

[TRANSMITTAL MEMORANDUM TO AUDIT ACTION OFFICIAL
LOAN/LOAN GUARANTEE AUDIT]

MEMORANDUM TO: (Audit Action Official)

FROM: (Appropriate OIG Official)

SUBJECT: Audit Report No. _____
Auditee: _____
Loan/Loan Guarantee No. _____

We are attaching two copies of the subject audit report for your action in accordance with DAO 213-5, "Audit Resolution and Follow-up." (A copy of the report has not been sent to the auditee (and/or lender].) The report may not be released to the auditee [and/or lender] without the concurrence of the office of Inspector General. Requests from the public for copies of this report must be referred to the office of Inspector General, office of Counsel, Room 7892, Herbert C. Hoover Building for response under the Freedom of Information Act. Because some of the information contained in this report may be confidential the prohibitions of 18 U.S.C. 1905 may apply to the unauthorized release of this report.

(Option: Insert here any information needed to explain the report.]

Under DAO 213-5, you have Number of Days calendar days from the date of this memorandum to reach a decision on the actions that you propose to take on each audit finding and recommendation and to submit an Audit Action Plan to this office. The format for the plan is Exhibit 7 of the DAO. Under the DAO, the Office of Inspector General must concur with your proposal before it may be implemented. The DAO prescribes procedures for handling any disagreements this office may have with the Audit Action Plan.

Any inquiry regarding this report should be directed to Name of this office at Phone Number.

All correspondence should refer to the audit report number given above.

Attachments

[TRANSMITTAL LETTER TO AUDITEE
FINANCIAL ASSISTANCE AUDIT]

(Name)
(Address)

Dear Sir or Madam:

Enclosed is a copy of Audit Report No. _____
concerning the following Department of Commerce financial
assistance award:

Recipient: _____

Award No. _____

Funding Bureau: _____

The final report was prepared by _____

This letter is notice of your opportunity and responsibility to review the report and to develop a complete response that addresses each audit finding and recommendation. If you believe that the report is in error in any respect, or if you disagree with any of the findings and recommendations, it is important that you explain the error or your reasons for disagreement and either submit to the Department evidence which supports your contentions or reference any such evidence previously submitted to this office. You also must explain how each documentary submission supports the position you are taking; otherwise, we may be unable to analyze the information.

Your complete response will be considered by the Department in arriving at a decision on what action to take with respect to the findings and recommendations in the audit report. Enclosure I of this Exhibit explains applicable administrative dispute procedures.

Your response to this report must be postmarked no later than thirty (30) days from the date of this letter. There will be no extensions to this deadline. If you do not submit a response within the required timeframe, you will have no other opportunity to submit comments, arguments or documentation before the Department makes a decision on the audit report.

Please send your response [including documentary evidence) to the following audit action official:

(name and address)

Please send a copy of the response letter to:

(OIG audit official's name and address)

After evaluating your response, the audit action official may provide you with further guidance or request clarification of your response. As you prepare your response, if you have any questions about this report or the process by which the Department reaches a final decision, please call (Name) of this office at (Phone Number), referring to the audit report number given above.

Sincerely,

(Appropriate OIG official)
Enclosures

Enclosure 1
NOTICE TO AUDITEES
Financial Assistance Audits

1. Audit requirements applicable to a particular financial assistance award may be established by law, regulation, policy or the terms of the recipients financial assistance agreement with the Department of Commerce.
2. The results of any audit will be reported to the bureau or office administering the financial assistance award and to the recipient/auditee, unless the Inspector General of the Department determines that it is in the Government's interest to withhold release of the audit report.
3. The results of an audit may lead to adverse consequences for the auditee, including but not limited to the following actions (which are subject to applicable laws and regulations):
 - ! suspension and/or termination of current awards;
 - ! referral of identified problems to other Federal funding agencies and entities as deemed necessary for remedial action;
 - ! denial of eligibility for future awards;
 - ! cancelling the authorization for advance payment and substituting reimbursement by check;
 - ! establishment of special conditions *in*current or future awards;
 - ! disallowance of costs, which could result *in*a reduction in the amount of Federal payments, the withholding of payments, the offset of a-mounts due the Government against amounts due the auditee, or the establishment of a debt and appropriate debt collection follow-up (including referrals to collection agencies).

Because of these and other possible consequences, an auditee should take seriously its responsibility to respond to audit findings and recommendations with explanations and evidence whenever audit results are disputed and the auditee has the opportunity to comment.

4. To ensure that audit reports are accurate and reliable,. an auditee may have the following opportunities to point out errors (of fact or law) that the auditee believes were made in the audit, to explain other disagreements with audit findings and recommendations, to present evidence that supports the auditee's positions, and to dispute final determinations:

- ! During the audit, the auditee may bring to the attention of the auditors at any time evidence which the auditee believes affects the auditors' work.
- ! At the completion of the audit on site, as a matter of courtesy, the auditee usually is given the opportunity to have an exit conference to discuss the preliminary audit findings and to present a clear statement of the auditee's position on the significant preliminary findings, including possible cost disallowances.
- ! Upon issuance of the draft audit report, the auditee may be given the opportunity to comment and submit evidence during the 30-day period after the transmittal of the report. (The Inspector General reserves the right to decide not to issue a draft report to the auditee.)
- ! Upon issuance of the final audit report, the auditee is given the opportunity to comment and to present evidence during the 30-day period after the transmittal of the report. (There are no extensions to this deadline.)
- ! Upon issuance of the Department's decision (the "Audit Resolution Determination") on the audit report's findings and recommendations, the auditee has the right to appeal for reconsideration within 30 calendar days after receipt of the Determination letter. (There are no extensions to this deadline.) The Determination letter will explain the specific appeal procedures to be followed.
- ! After an appeal is filed, or after the opportunity for an appeal has expired, the Department will not accept any further submissions of evidence concerning an auditee's dispute of the Department's decisions on the resolution of the financial assistance audit. If the appeal decision upholds the finding that the auditee owes money or property to the Department as decided in the Audit Resolution Determination, the Department will

take appropriate collection action but will not thereafter reconsider the merits of the debt.

! There are no other administrative appeals available in the Department.

(TRANSMITTAL MEMORANDUM TO AUDIT ACTION OFFICI
POSTAWARD CONTRACT AUDIT)

MEMORANDUM TO: (Contracting Officer)

FROM: (Appropriate OIG Official)

SUBJECT: OIG Reference No. _____
Audit Report No. _____
Contract No. _____
Auditee: _____

We are attaching two copies of the subject audit report for your action in accordance with DAO 213-5, "Audit Resolution and Follow-up." A copy of the report has not been sent to the auditee/contractor. Please refer to the report for specific instructions, if any, on the handling or release of the report.

(Option: Insert here any information needed to explain the report.)

Under DAO 213-5, you must submit your decision on actions to be taken on each audit finding and recommendation. As applicable, your decision should include the rationale and/or legal basis for reinstating any questioned costs in the report, for proposing settlement of any claim by the Government, and for treating other issues differently from the report. (Instructions for preparing a contracting officer's decision under the Disputes Act are contained in FAR 33.211. Instructions for preparing a contracting officer's demand for payment are in FAR 32.610(b).)

Any inquiry regarding this report should be directed to Name of this office at Phone Number.

All correspondence should refer to the audit report number given above.

Attachments

[TRANSMITTAL MEMORANDUM TO AUDIT ACTION OFFICIAL
PREAWARD CONTRACT REVIEW]

MEMORANDUM TO: ~~(Contracting officer)~~

FROM: (Appropriate OIG Official)

SUBJECT: OIG Reference No. _____
 Audit Report No. _____
 Solicitation No. _____
 Auditee: _____

We are attaching two copies of the subject audit report for your action in accordance with DAO 213-5, "Audit Resolution and Followup.11 A copy of this report has not been sent to the auditee/contractor. Please refer to the report for specific instructions, if any, on the handling or release of the report.

[Option: Insert here any information needed to explain the report.]

Under OMB Circular A-50, "Audit Followup," and DAO 213-5, "Audit Resolution and Follow-up," this audit report will be resolved when a contract price is negotiated, or you indicate to us that the proposed award or modification has been canceled--whichever occurs first.

You must send this office either the resulting price ~~negotiation~~ memorandum required by the FAR thirty days after contract award or modification or a notice that a contract award was not made. The negotiation memorandum must address all of the findings and recommendations in the audit report and include the rationale and/ or legal basis for treating any cost issues differently from the report.

Any inquiry ~~concerning this~~ report should be directed to (Name) of this office at (Phone Number).

All correspondence should refer to the OIG reference number given above.

Attachments

AUDIT ACTION PLAN

TO: (OIG Official Responsible for Audit Report)

THRU: (Audit Liaison)

FROM: (Audit Action Official)

SUBJECT: Audit Report No. _____

Report Date: _____

Audited Entity: _____

The following describes the actions this agency proposes to take in response to the above-referenced audit report.

[COMPLETE FOR EACH FINDING]

- o Title of Finding:
- o OIG's Recommendation:
- o Actions Taken or Planned: (Include target dates for completion and intermediate milestone dates.)
- o As applicable, Rationale and/or Legal Basis for Rejection of OIG's Recommendation:
- o Dollar value of funds to be put to better use:
- o OIG Concurrence: (Upon resolution, to be signed by appropriate OIG official)

AUDIT RESOLUTION PROPOS

TO: (OIG Official Responsible for Audit Report)
FROM: (Audit Action Official)
SUBJECT: Audit Report No. _____
Report Date: _____
Auditee: _____

Check One:

- ☐ Our proposal for resolving the financial and nonfinancial recommendations in the subject audit report are contained in Parts A and B below.
- ☐ Only Part A (financial recommendations) has been completed.
- ☐ Only Part B (nonfinancial recommendations) has been completed.
- ☐ completed.

PART A (FINANCIAL)

[COMPLETE FOR EACH FINDING]

! Brief Statement of Finding and Recommendation:

! Proposed Resolution Actions:

(Description/Explanation, as needed)

(Financial Summary)

a. Costs Questioned:

b. Proposed to be Allowed:

c. Proposed to be Disallowed:

! Rationale and/or Legal Basis for Action:

! OIG Concurrence: (Upon resolution, to be signed by appropriate OIG of

1. Total project costs or total costs claimed
(Per audit report): _____
2. Total costs questioned in report (3c+4c): _____
- 3a. Unsupported costs proposed to be allowed: _____
- 3b. Other questioned costs proposed to be
allowed: _____
- 3c. Total questioned costs proposed to be
allowed (3a+3b): _____
- 4a. Unsupported costs proposed to be
disallowed: _____
- 4b. Other questioned costs proposed to be
disallowed: _____
- 4c. Total questioned costs proposed to be
disallowed (4a+4b): _____
5. Additional costs not questioned but
proposed to be disallowed by the Audit
Action Official: _____
6. Total proposed disallowed costs (4c+5): _____
7. Total proposed allowed costs (1-6): _____

PART B (NONFINANCIAL)

[COMPLETE FOR EACH FINDING]

! Brief Statement of Finding and Recommendation:

! Proposed Resolution Actions:

! Rationale and/or Legal Basis for Action:

! OIG Concurrence: _____

Date

INSTRUCTIONS FOR PREPARATION-OF AUDIT RESOLUTION DETERMINATION

These instructions do not mandate a specific format but do provide minimum requirements to be used to notify a financial assistance recipient by letter of the Department's financial and nonfinancial determinations after resolution of a final audit report.

1. The audit action official has ten working days after agreement is reached on the proper resolution of the audit report to send the Department's Audit Resolution Determination to the auditee by certified mail, return receipt requested, or by any other method that provides evidence of receipt. The audit action official will ensure that the Determination is mailed or placed in a delivery system the same date as appears on the letter.
2. The Audit Resolution Determination letter shall include, at a minimum, the following:
 - ! the Department's decision with respect to each audit finding and recommendation in the final report, including the determination that the auditee owes the Department \$_____ and that an account receivable is being established effective on the date of the letter;
 - ! the reasons that support the Department's decision on each issue;
 - ! the reasons that the Department rejected in whole or in part the comments, arguments, and/or evidence submitted to the audit action official by the auditee;
 - ! a demand that the auditee repay, within 30 days from the date the determination letter was mailed or hand delivered, the \$_____ that has been found owing;
 - ! a statement that the agency records supporting the debt are the final audit report (already furnished), the auditee's response (if any), and this letter;*
 - ! a statement that, if no payment (or written agreement on repayment) is received during the 30-day period,

* If additional records are relied on, they should either be furnished at this time or referenced, or the auditee should be given the opportunity to inspect and copy the records.

the Department shall implement the financial determinations made during the audit resolution process by instituting appropriate collection action, including possible referral to a debt collection agency and credit reporting bureau, or collection through administrative, offset;

- ! an explanation of the applicable standards for assessing interest, penalties, and administrative costs;
 - ! an explanation of the applicable appeal rights of the auditee, and the procedures by which the Department makes a decision on the appeal, i.e., a summary of Section 8 of the DAO;
 - ! an explanation of the fact that, after the appeal procedure is completed, the auditee has no further recourse with the Department to dispute the legal validity of the debt; and
 - ! instructions on where to file the appeal, with the name and title of the official to receive the appeal and the name, title, address, and telephone number of a responsible official who can explain the claim and answer related questions.
 - ! If the Deputy Secretary made the original Audit Resolution Determination under DAO 213-5, the auditee's appeal will be addressed to the Deputy Secretary for his/her reconsideration of the audit determination.
3. A copy of the Audit Resolution Determination letter shall be attached to the Accounting Notice of Audit Resolution Determination (Exhibit 10) furnished to the accounting officer and others, as applicable.

ACCOUNTING NOTICE OF AUDIT
RESOLUTION DETERMINATION

TO: (Appropriate Organizational Unit Accounting
or Finance Officer)

FROM: (Audit Action Official)

SUBJECT: OIG Audit Report No. _____

Award/Contract No. _____

Auditee: _____

The Department has reached a decision on the actions to be taken to resolve the subject audit report. Attached is a copy of our letter notifying the auditee of the decision. Pursuant to the specific terms of the letter, appropriate accounting action should be taken.

☐

Make final payment to the auditee. See SUMMARY below.

☐

Establish an account receivable and undertake collection action. See SUMMARY below.

☐

Deobligate funding as provided in the attachment.

☐

As provided in the attachment, change advance payment authorization to reimbursement payment only or revoke or adjust any letter of credit as appropriate.

☐

Collect unauthorized interest from the auditee in the amount of \$_____.

☐

Pursuant to 15 C.F.R. S21.3, administrative offset may be an appropriate collection action. Attached is a list of known sources of funds due to be paid to the auditee.

SUMMARY

1. Total amount of DOC award: _____
2. Total expenditures on project: _____
3. Disallowed costs: _____
4. Difference (2 - 3): _____
5. DOC share of amount on line 4: _____
6. Total amount claimed by recipient: _____
7. DOC funds disbursed: _____
8. Accepted costs: Lesser
amount from line 1, 5, or 6 _____
9. Difference (7 - 8)
Check one:
☐ Amount owed: _____
☐ Final payment amount: _____

POSITION PAPER

SUBJECT: Audit Report Title
 Audit Report Number
 Final Audit Report Date

AUDIT RECOMMENDATION: (insert specific language from the final audit report)

ISSUE: (briefly describe the basic OIG/Organizational Unit disagreement on the audit recommendation)

BACKGROUND: (provide any appropriate background information, including only material discussed or referenced at the Audit Resolution Council meeting; no new information can be presented in the position paper unless all Council participants agree in advance.)

DISCUSSION: (present the organizational unit's or OIG's position on the issue to be resolved; this section can also be used to discuss the other party's position on the issue as explained at the Audit Resolution Council meeting as well as any applicable legal opinions.)

PROPOSED RESOLUTION: (present a proposed resolution action that the Deputy Secretary is being requested to adopt as the Department's final management decision; the organizational unit should include appropriate implementation actions and milestones with specified dates to preclude misunderstandings following the Deputy Secretary's decision.)

SIGNATURE:

NAME:

TITLE:

DATE: